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C O N F I D E N T I A L SECTION 01 OF 05 UNVIE VIENNA 000308

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SUBJECT: WASSENAAR ARRANGEMENT: MAY 25-27 GENERAL WORKING
GROUP (GWG) REPORT

REF: STATE 52997

Classified By: Counselor Eric Sandberg, Reason 1.4 (d).

11. (C) Summary: Acting DAS Ganzer led an inter-agency delegation to the May 25-27 Wassenaar Arrangement General Working Group (GWG). Russia again presented a paper on arms exports to Georgia, expressing its frustration that Wassenaar did not report Russia's concerns appropriately in reports of meetings and chastising Participating States for supporting Georgia. There were no objections to the U.S. proposal on destabilizing accumulations of conventional weapons which would allow countries to call special discussion groups on specific issues of concern. Support was mixed for the U.S./Canadian proposal on holding an outreach meeting for non-Participating States on list changes. Drama was provided when the Czech delegation, speaking as EU President, issued a statement supporting a Polish paper on re-export controls that removed any references to licensed production, a long-standing red-line for the Russians. The Russian delegation was extremely upset with what it saw as a change in EU position and questioned whether the Czechs were really speaking on behalf of the EU.

Regional Views

12. (C) Russia again presented a paper on arms exports to Georgia, expressing its frustration that Wassenaar did not report Russia's concerns appropriately in previous reports of meetings. The presentation focused heavily on the 're-arming' efforts of Georgia by Participating States, noting that Participating States did not care that Russian soldiers were killed; the U.S. was singled out (though not by name) for criticism for supporting Georgia. The Russian delegation urged Participating States to 'abide by' the Wassenaar Arrangement guidelines and not re-arm Georgia, because it would destabilize the situation.

13. (C) France presented a paper entitled 'The Role of Sudan in the Dissemination of Conventional Weapons in Darfur,' which noted that Iran and China are Sudan's main arms suppliers. The paper notes there has been a decrease in business transactions between Iran and Sudan since the adoption of UNSCR 1747, but this has been to the benefit of Chinese companies. However, Sudanese authorities continue to deal with Iran's Defense Industries Organization. Chinese companies have delivered assault rifles and ammunition; troop carriers; maintenance of fighters and trainer aircraft; patrol ships; MANPADS; and assembly lines, particularly for SA/LW and ammunition.

¶4. (SBU) The Netherlands presented an analysis of transfers of arms and sensitive dual-use items. The presentation was based on a review of Participating States export submissions to the WAIS and data obtained from SIPRI (the Stockholm International Peace Research Institute). The Dutch offered this presentation as a short overview of what information is available to Participating States based on Wassenaar's own data and how this could be used for a more in-depth analysis of where weapons are transferred and whether such exports are leading to destabilizing accumulations.

¶5. (SBU) Spain briefed on the trade in aeronautical spare parts, noting many embargoed countries are able to obtain the spare parts they need through legitimate means. For example, a country acquires a civilian helicopter then cannibalizes it for parts for military aircraft. Countries also attempt to acquire demilitarized aircraft for the same purpose or they disassembly military aircraft and ship the parts.

Ad Hoc Group

¶6. (C) The Ad Hoc Group on Security and Intelligence Experts met briefly. Participation in the group is up significantly, but discussions are brief. Australia made a brief presentation on Malaysian export controls: there are up to 22 government agencies involved in the export control process. Many Malaysian companies serve as front companies for Iran, so Australia brought this information up to Participating States to make them aware of the proliferation risks associated with conducting exports with Malaysia.

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¶7. (C) The Australian delegation also shared information it had received from an Australian company about an Iranian company's attempts to illicitly procure specialized CBN doors. The information was received in an email; in that email the Iranian company notified the Australian company that business could be conducted with their offices in Cyprus if necessary to avoid complications with prohibitions on exports to Iran. This information was shared as an example of Iranian efforts to evade export controls and the benefits of effective government/industry cooperation.

¶8. (SBU) A member of the South African delegation approached the U.S. delegation on the margins to ask about the Temporary Denial Order (TDO) regarding the shipment of a 'Bladerunner 51' from South Africa to Iran. She was the individual responsible for investigating conventional arms transfer violations and had just been told about the TDO from the Australian delegation to Wassenaar. After looking up the TDO, she asked the U.S. for additional information. The U.S. delegation provided her with the contact information for the Commerce enforcement officer following the case.

Arms and Dual-Use Denial Consultation

¶9. (SBU) Switzerland withdrew its alternative arms denial reporting proposal, expressing its support for the UK's proposal on this issue. However, Russia continues to be the main voice blocking the separate UK and U.S. proposals for arms and dual-use denial consultation. This year Russia explained that it supported such consultations in WMD cases, but not in those involving conventional arms, noting that such transfers are common and one arms denial would not change a situation dramatically. Russia again noted that its arms export decisions are made at the Presidential level and it would be difficult to question the decision of the President or delay supply. With regard to dual-use goods, Russia does not see that there could be a destabilizing accumulation of dual-use goods, so Russia does not see this as a workable proposal; it is 'almost dead.' In both cases,

Russia brought the discussion back to Georgia. Noting that Russia had imposed a full embargo on Georgia, the Russian delegation questioned rhetorically whether countries would consult Russia on all arms sales to Georgia, as would be required by such proposals. In fact, the proposal would "mean nothing" in the context of Russian concerns about Georgia.

Artillery Reporting

¶10. (U) Russia continued to suggest that reporting in the artillery category should be changed and noted some alternative proposals in the UN Register discussions in New York. (At those discussions, the Russians have zeroed in on the UK's fallback proposal of dropping the dropping the artillery threshold to 35mm or 50mm if there is not consensus to add small arms and light weapons (SA/LW) the Register as an eighth category. These discussions will conclude in mid-July.) The U.S. delegation expressed support for the work of the UN Register and noted it would like to defer further discussion in the Wassenaar Arrangement until the UN Register group finished its discussions, but that it saw little utility in lowering the threshold for reporting transfers of Artillery systems. Russia pushed back, stating its preference for Wassenaar to lead on this issue. No other countries supported Russia's proposal.

Geographic Scope of Transparency

¶11. (SBU) The Russian delegation also pushed its proposal for Wassenaar Participating States to report on arms transfers among Participating States, noting Wassenaar should be used to support the UN Register. Wassenaar is significantly more advanced than the UN Register in reporting; in addition, the UN Register has no mechanism for discussion. Japan repeated its position that it does not convinced of the necessity of intra-Wassenaar reporting. Russia questioned where Japan's assurance came from that there were no destabilizing accumulations in Participating

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States. The United States countered that Wassenaar is an organization of like-minded States concerned about export controls and destabilizing transfers, and advised that it is highly unlikely there would be destabilizing accumulations within Participating States.

Destabilizing Accumulations

¶12. (SBU) At Russia's request, the December 2008 Plenary agreed to add 'Destabilizing Accumulations' as an agenda item for the GWG. Russia tabled a paper that tried to define the term and suggested Wassenaar discuss the definition. The Russian delegation noted it was not trying to reopen the 1998 document on this topic, but if there was agreement then the language could be added to the existing document. The 1998 discussions on this topic resulted in a document on Elements for Objective Analysis for SALW exports. This document poses a series of questions for the exporter to consider when reviewing an export application. Participating States agreed in 1998 that it was not possible to define 'destabilizing accumulations'; the term was situation specific. The U.S. disagreed with trying to define the term, and tabled its own paper proposing a practice for Participating States to call for a special meeting on the margins of the GWG to consult on a particular issue or situation that showed indications of, or could lead to, a destabilizing accumulation of conventional weapons. Not all Participating States have the same level of interest in in-depth discussions; such special

meetings would have the benefit of allowing fuller discussions, including only those States interested, in a less formal setting.

¶13. (SBU) There was general consensus for the U.S. approach, including by Russia. However, Russia will continue to press for a discussion of the term 'destabilizing accumulations' with the possible goal of development an 'understanding' if not a 'definition.'

Survey of National Practices

¶14. (U) DOC briefed on the U.S. proposal for conducting a survey among Participating States on their policies and/or national practices and procedures for dual-use exports. This would be an update from a 1998 survey conducted by Wassenaar. As part of the proposal, the U.S. offered to compile the data in a usable format that would then be posted on the WAIS. There were no objections to the proposal, but Germany and The Netherlands proposed that the survey include arms. The U.S. noted resource constraints prevented it from being able to do the work on both dual-use and arms data at this time. Both countries continued to press for both, but the UK stepped in and noted that the U.S. had explained its limitations, so unless another country was willing to step forward to do the work on the arms side, the proposal should be left to dual-use.

Transparency in National Policies

¶15. (U) The Czech delegation noted two new EU export control policies) legally binding regulations on the arms Code of Conduct and revised dual-use regulations. The latter includes: brokering controls on dual-use items; legal basis for denials of WMD; and implementation of changes to the export control regimes control lists. The UK noted that in April 2009, it introduced new arms brokering controls that contain full extraterritorial control on SA/LW exports and introduced a licensing provision on UK transport providers for SA/LW. With regard to military end-use controls, caveats placed on EU regulations do not allow the UK to stop exports of all items it would like to stop. This UK is trying to develop a more comprehensive approach. South Korea noted it had introduced new licensing system on transit, transshipment, brokering, and re-export by October 2009. Spain noted it had a new law on foreign trade transfers of military equipment and technology, which increases transparency, provides a government commitment, and annual information on end-use and end-users.

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Best Practices

¶16. (U) Export Control Documentation: Romania, which maintains a CD library of end-use certificates, will now seek to include non-Wassenaar Arrangement signature specimens and specimen stamps. Romania will also seek to provide information on transit and transshipment.

¶17. (U) MANPADS: The UK is working on developing a handbook for non-Wassenaar Arrangement countries as well as licensing officers. The handbook will cover licensing procedures and export control guidelines.

¶18. (U) ICP: Japan briefed its updated proposal on Best Practices for Internal Compliance Programs (ICP). Germany and France said they had further edits; France continues to press to make sure that small and medium enterprises can comply with the recommendations in the proposal. In

addition, France stressed that outreach to industry is important, notably for keeping industry abreast of government commitments. France would like to exchange views on industry outreach and would like to establish a Best Practice document. The U.S. agreed to provide a paper on its outreach efforts to industry for discussion at the October GWG.

Re-Exports

¶19. (C) The Russian proposal for Best Practices on Re-Export Control still has not reached agreement. Just prior to the December 2009 Plenary, Poland submitted edits to the document that removed references to foreign licensed production, but Russia continues to insist on their inclusion. The Czech delegation - speaking as EU President) issued a strong statement supporting Poland's paper on re-export controls. The Russian delegation was extremely upset with the statement; Head of Delegation Mashkov questioned whether the Czechs were really speaking on behalf of the EU, the Czechs confirmed that they were. Mashkov then called on Germany, France and the UK to confirm their support. None rose to the challenge. He indicated he would have to consult Moscow on the issue as up to this point Russia understood that only five Wassenaar Participating States objected to the Russian proposal and now there were 26 objectors. Though none of the EU countries spoke out against the EU statement at the meeting, several were clearly caught off guard. Privately, the U.S. was told that the Czech presidency had circulated the proposed language just a few days prior to the GWG under a silence procedure. Some EU Participating States had not focused on it, and their lack of objection indicated agreement.

Outreach

¶20. (C) The U.S. briefed on its proposal for an outreach meeting on changes to the control lists. Countries that had previously been targets of outreach would be invited to participate in the meeting. Several countries expressed support, but Russia and Turkey voiced strong reservations. Russia said it is still studying the proposal, but has doubts about the value of conducting a meeting in this format. There are too many changes to be discussed in one session. Turkey said it had similar concerns, but then provided suggested edits to the text to address its main (unstated) concern of ensuring Cyprus would not be a target country. Turkey believes invitees should be decided on a case-by-case basis and should be aimed at countries that are possible future targets of outreach.

Participation

¶21. (SBU) Cyprus: The Czechs, speaking on behalf of the EU, read the EU statement expressing support for Cyprus' application. The U.S. also noted it supported Cyprus' application. Turkey continued to object to Cyprus' membership.

¶22. (SBU) Serbia and Iceland have applied for membership, and Bosnia has informed the Wassenaar Secretariat it intends to

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apply for membership. The GWG agreed to form a 'Friends of the Chair on Membership' group to review the membership question and review the applicants and potential applicants. South Africa advised that the physical space for GWG meetings was already too small, and that the Secretariat needed to find larger spaces if any more countries were to be added as members. The Vienna Points of Contact group will look into whether and how the Secretariat can expand its spaces. Previous explorations were led by the Secretariat itself,

which concluded there were no appropriate spaces available. Japan and Russia have both indicated that they support 'zero growth' in the budget, so any moves could not result in increased expenses. The U.S. noted its agreement to establish a Friends of the Chair group and that proposals for new members need to address space and other resource issues that would arise from such expansion.

Administrative Issues

¶23. (SBU) The GWG supported the 2008 Audited Financial Statements. The GWG asked VPOC to continue to consider the auditor's proposal for the adoption of International Public Sector Accounting Standards by the WA and to review VPOC recommendations at the fall GWG.

Head of Secretariat

¶24. (SBU) The current Head of Secretariat, Ambassador Sune Danielsson (SE), has requested an extension for one year of his current contract. No Participating State voiced any objections to this extension to the Plenary Chair during her informal consultations in the months prior to the May GWG, though many noted that the extension should be limited to the one year requested, and not be considered a precedent for future extensions. Based on these consultations, at the GWG, the Plenary Chair recommended the GWG support the extension and forward a proposal to the Plenary with this approval and a recommendation on the procedures for finding a new Head of Secretariat to take over the position in June 2011, including a call for candidates. Only the Russian delegation objected to the GWG approving recommending the extension at this time.

Russia does not object to an extension and supports the current Head of Secretariat's work, but is concerned that the "hurry" in recommending an extension will cause delay in finding a candidate to replace Danielsson. In order for Russia to support an extension by the end of 2009, the WA participating states should have a candidate for successor by that time. A call for candidates at the Plenary was too late, and action needs to be taken now. In response to the Russian's concerns, the Plenary Chair indicated that between the current time and the 2009 Plenary in December, Canada would put forth a call for candidates' names for the 2011 position. At the 2009 Plenary, with a list of candidates for 2011 in-hand, the Plenary could then approve the current head of Secretariat's extension June 2010-June 2011 extension and possibly select a successor for 2011.

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